

CAPMAN GROUP'S INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2015



CapMan

CAPMAN GROUP'S INTERIM REPORT FOR 1 JANUARY–30 SEPTEMBER 2015

Performance and main events for the review period:

- Group turnover totalled MEUR 24.7 (January–September 2014: MEUR 23.1).
- Operating profit was MEUR 4.2 (MEUR 2.2).
- Profit before taxes was MEUR 2.5 (MEUR 1.1).
- Profit after taxes was MEUR 2.0 (MEUR 0.7).
- Earnings per share for the review period were 1.5 cents (0.0 cents).
- Cash flow to CapMan from exits was MEUR 17.7 (MEUR 13.6).

CapMan maintains its outlook estimate for 2015:

We estimate our earnings per share to improve from the level achieved in 2014.

Specified basis for outlook:

CapMan receives carried interest income from funds as a result of a completed exit in the event that the fund already is in carry or will enter carry due to the exit. Our current portfolio holds several investments, which are in exit process. In case the exits will be completed at the end of the year, the carried interest income can be accounted for either in 2015 or 2016, which could impact our operating profit and the achievement of our outlook estimate for 2015.

The fair value development of our own fund investments and that of Norvestia will have a substantial impact on our overall result in 2015. We expect disparity in the development of individual portfolio companies and real estate also during 2015 depending on their industry and geographical location. In addition, our portfolio companies and real estate are also influenced by various other factors, among others the general development of industries and local economies, inflation development, valuation multiples of peer companies, and exchange rates.

We estimate other fees to increase clearly alongside the management fees. Our fees as a whole will exceed our expenses before possible non-recurring expenses related to acquisitions or larger development projects.

Heikki Westerlund, CEO:

”Our turnover increased by seven per cent compared to last year and our profit doubled. Our operative cash flow was similarly at a good level. The negative stock market development in the third quarter was mainly reflected in the valuation of our associated company Norvestia and to some extent also in the fair value development of our own fund investments. The decrease in net asset value was moderate compared to the general development in the Nordic stock markets.

Norvestia's Board of Directors approved the new investment strategy as a result of the company's strategy process. Over the coming years, the company's objective is to invest MEUR 100 in growth equity, which includes direct minority investments, activist stakes in growth-oriented public companies and Venture and Buyout funds. The return target of growth equity portfolio is at least 15% p.a.

The development of our service business and new investment products, e.g. mandates tailored according to client specifications provide an additional boost to our growth. We have also initiated a program with the objective to save approximately one million euros in expenses by for example renewing lease agreements for our offices.

We received carried interest income from the repayment of a high yield vendor loan provided in conjunction with the exit from Inflight Service. Moreover, the completion of the exit from Cederroth resulted in significant cash flow to both fund investors and CapMan. Funds at the end of their life cycle still hold companies with notable return potential, of which the recent exits from Swereco by the CapMan Life Science IV fund and ÅF AB by the CapMan Public Market fund are good examples.”

Business operations

CapMan Group is a private equity fund manager operating in the Nordic countries and Russia. The Group also makes investments in its own funds. The Group operates through two segments: a Management Company business and a Fund Investment business.

In its Management Company business, CapMan raises capital from Nordic and international institutions for the funds that it manages. The investment teams invest this capital in Nordic and Russian companies and Nordic real estate. The Management Company business has two main sources of income: fees and carried interest from funds. The fees include management fees related to CapMan's position as a fund management company and fees from CapMan's service business comprising purchasing scheme (CaPS), fundraising advisory services and other services related to fund management, among others.

Through its Fund Investment business, CapMan makes investments from its own balance sheet in the funds that it manages. Income in this business is generated by increases in the fair value of investments and realised returns.

In addition to investments in its own funds, CapMan owns 28.7% of the shares in Norvestia Plc. The fair value change of the associated company Norvestia is booked in CapMan's income statement, based on the change in Norvestia's adjusted net asset value (NAV) as communicated in Norvestia's stock exchange releases. CapMan makes no adjustments to Norvestia's reported figures.

Please see Appendix 3 for additional details about CapMan's business model.

Group turnover and result in January–September 2015

The Group's turnover increased by 7% from the comparable period and totalled MEUR 24.7 (January–September 2014: MEUR 23.1). The increase in turnover was mainly attributed to higher carried interest income. Operating expenses totalled MEUR 21.3 (MEUR 20.0) and included MEUR 0.7 of non-recurring expenses mainly related to the acquisition of shares in Norvestia (the comparable period included approx. MEUR 0.8 in non-recurring expenses mainly related to the closing of CapMan's Oslo office). Expenses for the review period included approx. MEUR 1.4 of bonus provisions (MEUR 0.0) for the investment teams based on CapMan's short term compensation scheme.

The Group recorded an operating profit of MEUR 4.2 (MEUR 2.2), which represented a 90% increase.

Financial income and expenses amounted to MEUR -1.7 (MEUR -1.1). Profit before taxes was MEUR 2.5 (MEUR 1.1) and profit after taxes was MEUR 2.0 (MEUR 0.7). The Group's comprehensive result was MEUR 1.9 (MEUR 0.7). Earnings per share were 1.5 cents (0.0 cents) after deducting the (net of tax) interest on the hybrid bond for the review period.

A quarterly breakdown of turnover and profit, together with turnover, operating profit/loss, and profit/loss by segment for the review period, can be found in the Tables section of this report.

Management Company business

Turnover generated by the Management Company business during January – September 2015 totalled MEUR 24.7 (MEUR 23.1). Fees totalled MEUR 20.3 (MEUR 21.5). The decrease in fees was mainly due to less capital under management compared to the corresponding period last year. Fees recorded also include fees generated by CapMan's purchasing scheme (CaPS) and other services.

Carried interest income for the review period totalled MEUR 4.4 (MEUR 1.6) and was mainly due to recognised revenue received from the CapMan Equity VII A, B and Sweden funds and Finnmezzanine III A and B funds following



the exit from Symbio and Silex Microsystems as well as the repayment of a vendor loan that was granted to Inflight Service in conjunction with the exit in 2010.

The operating profit of the Management Company business was MEUR 3.7 (MEUR 3.6). The profit for January – September 2015 was MEUR 3.2 (MEUR 2.9). The status of the funds managed by CapMan is presented in more detail in Appendix 1.

Fund Investment business

Total fair value changes of investments in January – September 2015 were MEUR 0.5 (MEUR -1.1 in the comparable period). Fair value changes of fund investments were MEUR 1.0 (MEUR -1.1) representing a 1.8% increase in value (1.5% decrease in the corresponding period). The overall change in the fair value of fund investments was due to the slightly positive development in several portfolio companies. The aggregate fair value of fund investments as of 30 September 2015 was MEUR 47.3 (30 September 2014: MEUR 60.7). The decrease was mainly due to significant exits completed after the end of the comparable period last year. CapMan's share of the change in the net asset value of its associated company Norvestia was MEUR -0.9. The negative change in fair value was mainly due to the broad based sell-off in the stock markets in August and September. The fair value of CapMan's investment in Norvestia was MEUR 43.4 on 30 September 2015. The fair value of Maneq investments was MEUR 0.4 (MEUR -0,3).

Operating profit for the Fund Investment business was MEUR 0.5 (MEUR -1.4) and profit for the review period was MEUR -1.2 (MEUR -2.2). The Fund Investment business includes the results of Maneq companies remaining in CapMan's portfolio and CapMan's share of the change in net asset value of associated company Norvestia.

CapMan invested a total of MEUR 2.9 (MEUR 8.7) in its funds during January – September 2015. Investments were mostly allocated to the CapMan Buyout X, CapMan Mezzanine V, CapMan Russia II and CapMan Nordic Real Estate funds. CapMan received distributions from funds totalling MEUR 9.4 (MEUR 10.1). The majority of the distributions came from the CapMan Buyout VIII, CapMan Equity VII, CapMan Real Estate I, CapMan Nordic Real Estate and CapMan Public Market funds.

The amount of remaining commitments that have not yet been called totalled MEUR 27.4 as of 30 September 2015 (30 September 2014: MEUR 28.4). CapMan estimates that MEUR 15-20 of the remaining commitments will be called in the next 3-4 years, particularly due to unused investment capacity of the older funds. The aggregate fair value of existing investments and remaining commitments was MEUR 74.7 (MEUR 89.0). CapMan invests 1-5% of the original capital in the new funds that it manages, depending on fund size.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG), where fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Real estate assets are valued in accordance with the value appraisals of external experts, as detailed in Appendix 1. The fair value change of the associated company Norvestia is booked in CapMan's income statement, based on the change in Norvestia's adjusted NAV as communicated in Norvestia's stock exchange releases. CapMan makes no adjustments to Norvestia's reported figures.

Investments at fair value and remaining investment capacity by investment area are presented in the Tables section of this report.

Balance sheet and financial position as of 30 September 2015

CapMan's balance sheet totalled MEUR 145.5 as of 30 September 2015 (30 September 2014: MEUR 115.9). The expansion of the balance sheet was due to the acquisition of shares in Norvestia. Non-current assets amounted to MEUR 115.0 (MEUR 86.0), of which goodwill totalled MEUR 6.2 (MEUR 6.2).



As of 30 September 2015, fund investments booked at fair value totalled MEUR 47.3 (MEUR 60.7). The adjusted NAV of Norvestia was MEUR 151.4 on 30 September 2015, of which the book value on CapMan's balance sheet was MEUR 43.4 based on CapMan's 28.7% ownership. The fair value of investments in joint ventures was MEUR 7.9 (MEUR 9.1) and mainly consisted of CapMan's investment in Maneq Investments Luxembourg. Long-term receivables amounted to MEUR 5.2 (MEUR 4.8).

Current assets amounted to MEUR 30.5 (MEUR 29.9). Liquid assets (cash in hand and at banks, plus other financial assets at fair value through profit and loss) amounted to MEUR 21.3 (MEUR 23.1).

CapMan's interest-bearing net debt amounted to MEUR 30.4 (MEUR 11.1). CapMan's total interest bearing debt as of 30 September 2015 is outlined in the below table. After the review period CapMan has refinanced its bank financing by issuing a MEUR 30 senior bond with a maturity of four years. The bond issue is detailed in the "Events after the review period" section of the interim report.

	Debt amount 30 September 2015	Matures latest	Debt amount 30 September 2014
Multi-issuer bond	MEUR 10	Q2 2019	MEUR 10
Senior bond	MEUR 15	Q4 2017	MEUR 15
Bank financing	MEUR 27	Q2 2017	MEUR 9
Long-term credit facility (available)	(MEUR 15)		(MEUR 15)
Hybrid bond*	MEUR 15	No maturity	MEUR 15

*) In line with IFRS standards, the hybrid bond is classified as equity. The interest on the hybrid bond is deducted from equity as interest is paid, which is annually. The hybrid bond has no maturity, but CapMan has the right to redeem it four years after the issue date and the option to redeem it earlier, under certain terms and conditions, two years after the issue date. The hybrid bond was issued on 11 December 2013.

CapMan Plc's bank loans include financing covenants, which are conditional on the company's equity ratio and the ratio of interest-bearing bank loans to fund investments on the balance sheet. CapMan honoured all covenants as of 30 September 2015.

Trade and other payables totalled MEUR 29.7 (MEUR 16.4).

The Group's cash flow from operations totalled MEUR 5.4 for the first nine months of 2015 (MEUR 5.6). Income from fund management fees is paid semi-annually, in January and July, and is shown under working capital in the cash flow statement. Cash flow from investments totalled MEUR -27.4 (MEUR 0.3) and includes, *inter alia*, the investment in Norvestia and fund investments and repaid capital received by the Group. Cash flow before financing totalled MEUR -22.0 (MEUR 5.9), while cash flow from financing was MEUR 14.3 (MEUR -0.1) and included the bank financing used for the investment in Norvestia.

CapMan

Key figures 30 September 2015

CapMan's equity ratio was 44.3% as of 30 September 2015 (30 September 2014: 56.7%), its return on equity 4.2% (1.4%), and its return on investment 5.6% (3.5%). The target levels for the company's equity ratio and return on equity are 45–60% and over 20%, respectively.

	30.9.15	30.9.14	31.12.14
Earnings per share, cents	1.5	0.0	3.4
Diluted, cents	1.5	0.0	3.4
Shareholders' equity / share, cents *	72.0	73.3	76.1
Share issue adjusted number of shares	86,290,467	86,121,272	86,163,919
Number of shares at the end of period	86,316,766	86,316,766	86,316,766
Number of shares outstanding	86,290,467	26,290,467	86,290,467
Company's possession of its own shares, end of period	26,299	26,299	26,299
Return on equity, %	4.2	1.4	6.1
Return on investment, %	5.6	3.5	7.0
Equity ratio,%	44.3	56.7	57.8
Net gearing,%	49.1	17.6	5.0

*) In line with IFRS standards, the MEUR 15 (30 September 2014 and 31 December 2014: MEUR 15) hybrid bond has been included in equity, also when calculating equity per share. The interest on the hybrid bond (net of tax) for the review period has been deducted when calculating earnings per share.

Fundraising during the review period and capital under management as of 30 September 2015

Capital under management refers to the remaining investment capacity of funds and capital already invested at acquisition cost. Capital increases as fundraising for new funds progresses and declines as exits are made.

CapMan takes advantage of its geographically extended network and aims to gain new fund commitments from investor groups that have not previously invested in private equity funds. The low interest rate environment has increased investors interest in private equity investments.

CapMan's collaboration with Elite Asset Management continues through CapMan Collection, a non-UCITS fund marketed by Elite. The fund mainly invests in private equity funds managed by CapMan and enables private and institutional investors to invest in private equity with a structure providing liquidity and a possibility to join with a lower minimum investment.

CapMan prepares for fundraising for a new Credit fund. The fund targets first closing by the end of 2015.

CapMan provides fundraising advisory services for several external clients, of which a fund investing in European entrepreneurial growth companies is expected to reach first closing shortly. CapMan believes that these fund advisory services have significant growth potential as part of CapMan's service offering and are expected to increase CapMan's fee income in the long-term.

Capital under management was MEUR 2,846.4 as of 30 September 2015 (30 September 2014: MEUR 3,161.9). The amount decreased due to completed exits following the end of the comparable period. Of the total capital under management, MEUR 1,362.1 (MEUR 1,552.7) was held in funds making investments in portfolio companies and MEUR 1,484.3 (MEUR 1,609.2) in real estate funds.

Funds under management, together with their investment activities, are presented in more detail in Appendices 1 and 2.



Authorisations given to the Board by the AGM

The AGM authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's B shares. The number of B shares concerned shall not exceed 8,000,000, and the authorisation shall remain in force until the end of the following AGM and 30 June 2016 at the latest. The AGM also authorised the Board to decide on the issuance of shares and other special rights entitling to shares. The number of shares to be issued shall not exceed 15,000,000 B shares and the authorization shall remain in force until the end of the following AGM and 30 June 2016 at the latest.

Further details on these authorisations can be found in the stock exchange release on the decisions taken by the AGM issued on 18 March 2015.

Personnel

CapMan employed a total of 102 people as of 30 September 2015 (30 September 2014: 100), of whom 68 (64) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

Shares and share capital

There were no changes in CapMan Plc's share capital during the first nine months of 2015. Share capital totalled EUR 771,586.98 as of 30 September 2015. The number of B shares was 80,566,766 and that of A shares 5,750,000 as of 30 September 2015.

B shares entitle holders to one vote per share and A shares to 10 votes per share.

Shareholders

The number of CapMan Plc shareholders decreased by 4.5% from the comparable period and totalled 6,729 as of 30 September 2015 (30 September 2014: 7,044).

Company shares

As of 30 September 2015, CapMan Plc held a total of 26,299 CapMan Plc B shares, representing 0.03% of both classes of shares and 0.02% of voting rights. The market value of own shares held by CapMan was EUR 27,088 as of 30 September 2015 (30 September 2014: EUR 29,222). No changes occurred in the number of own shares held by CapMan Plc during the review period.

Compensation schemes

CapMan's compensation scheme consists of short-term and long-term compensation schemes.

The short-term scheme covers all CapMan employees and its central objective is earnings per share, for which the Board of Directors has set a minimum target. Short-term bonuses for investment teams are based on the result of the Management Company business for their respective investment partnership, and the minimum level of earnings per share provides the basis for receiving bonuses.

The long-term scheme consists of carried interest payable to investment teams and stock option programmes for CapMan's Executive Management Group. The carried interest payable to investment teams is based on the success of investments made in the corresponding funds. This arrangement is in line with international industry practice. At the end of the reporting period, CapMan Plc had one stock option programme – Option Programme 2013 – in place



as part of its incentive and commitment arrangements for key personnel. The Board of Directors decides annually on the distribution of stock options to the key personnel employed or recruited by the Group.

The maximum number of stock options issued under Option Programme 2013 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new B shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2013A options is EUR 0.82 (the trade volume-weighted average quotation of the share during 1 April–31 May 2013 with an addition of 10%), that of the 2013B options is EUR 1.10 (the trade volume-weighted average quotation of the share during 1 April–31 May 2014 with an addition of 10%), and that of the 2013C options is EUR 1.12 (the trade volume-weighted average quotation of the share during 1 April–31 May 2015 with an addition of 10%). The subscription period for 2013A options will begin on 1 May 2016, that for 2013B options on 1 May 2017, and that for 2013C options on 1 May 2018. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. A total of 1,175,000 stock option entitlements under the Option Programme 2013A and a total of 1,141,667 stock option entitlements under the Option Programme 2013B had been allocated by 30 September 2015.

The terms of the option programmes can be found on CapMan's website.

Trading and market capitalisation

CapMan Plc's B shares closed at EUR 1.00 on 30 September 2015 (30 September 2014: EUR 0.99). The trade-weighted average price during the review period was EUR 1.00 (EUR 1.09). The highest price paid was EUR 1.09 (EUR 1.23) and the lowest EUR 0.83 (EUR 0.90). The number of CapMan Plc B shares traded totalled 10.4 million (15.0 million), valued at MEUR 10.5 (MEUR 16.3).

The market capitalisation of CapMan Plc B shares as of 30 September 2015 was MEUR 80.6 (30 September 2014: MEUR 79.4). The market capitalisation of all company shares, including A shares valued at the closing price of B shares, was MEUR 86.3 (MEUR 85.0).

Other significant events in January–September 2015

In September, CapMan's former portfolio company Inflight Service repaid a vendor loan that had been granted by the exiting funds managed by CapMan. The result impact of the repayment for CapMan's result for 2015 was MEUR 1.2 in carried interest income (net). The impact on CapMan's cash flow was MEUR 1.9.

Funds managed by CapMan completed the sale of their ownership in Cederroth Intressenter AB in August. The transaction contributed MEUR 8 to CapMan Group's 2015 cash flow.

In July, funds managed by CapMan sold their holdings in Silex Microsystems AB, an independent MEMS (Micro Electro Mechanical Systems) foundry. The transaction had a positive impact on CapMan Group's result for the second quarter of 2015 through a total of approx. MEUR 1.5 in carried interest income (net) and fair value changes. The cash flow contribution of the transaction was MEUR 2.

In May, CapMan announced its acquisition of 4.4 million shares in Norvestia Plc from Kaupthing h.f. The acquired shares represent a total of 28.7% of all shares and votes outstanding in Norvestia. The transaction was executed in two phases, of which the first (3.3 million shares) was completed in May and the second (1.1 million shares) was completed after the review period in October. Norvestia became an associated company of CapMan as a result of the transaction. The details of the transaction have further been described in a stock exchange release published on 12 May 2015.

In March, CapMan updated its financial objectives. CapMan's target for return on equity is over 20% p.a. (previously over 20% p.a.) and the target for equity ratio is 45–60% (previously at least 60%). According to CapMan's new dividend policy, the dividend pay-out ratio is at least 60% of the earnings per share (previously at least 50% of net profit).

CapMan

In January, funds managed by CapMan announced the sale of their holding in Symbio S.A., a provider of outsourced product development services. The transaction had a positive impact on CapMan Group's result for 2015 through approx. MEUR 1 of carried interest income from the exiting funds. The transaction contributed some EUR 1.2 million to CapMan Group's 2015 cash flow. The carried interest was recognised in the first half of 2015.

Events after the review period

CapMan issued a MEUR 30 fixed-rate unsecured senior bond to institutional investors. The bond will mature in four years on 15.10.2019 and is callable before maturity. The fixed coupon interest rate of the bond is 4.2% per annum. The proceeds from the bond issue will be used mainly for the refinancing of the senior bank loan, which was obtained for the acquisition of shares in Norvestia Plc in May 2015.

The second phase of CapMan's acquisition of shares in Norvestia was completed as agreed as CapMan purchased 1.1 million shares in October.

Additional operations of the funds are described in Appendix 2.

Significant risks and short-term uncertainties

Economic development in CapMan's key markets and structural changes in industries central to CapMan's portfolio companies may affect CapMan's operations by delaying exits and reducing the fair value of the Group's fund investments. Fluctuations in exchange rates could also affect the valuation of CapMan's portfolio companies.

The stock market development and the valuation of growth equity affect CapMan's valuation of its associated company Norvestia.

The market situation may also impact fundraising conditions by reducing fund investors' willingness and ability to make new commitments to CapMan's funds. Fundraising markets are expected to remain crowded over the short term. A successful fundraising effort will impact the total amount of capital under management, hence resulting in new management fees.

The projections related to the profitability of the Management Company business involve uncertainty especially related to the timing of exits. Due to limitations in forecasting the timing of carried interest and the change in fair value developments, providing financial guidance remains challenging over the short term. The timing of fees from fund advisory activities are difficult to predict due to the nature of the business.

The CapMan Real Estate I fund transferred into carry in 2007. Of the MEUR 27.4 carried interest paid in 2007, some MEUR 6.4 was not entered in CapMan's profit in 2007 but instead left in reserve in case that some of the carried interest would have to be returned to investors in future. CapMan's share of the entered carried interest was approx. MEUR 13.5 and the share of minority owners was approx. MEUR 7.5. However, in light of the current market situation, it is considered unlikely that any further carried interest would be paid from the CapMan Real Estate I fund. Based on the fund's revised outlook, MEUR 1.2 of the reserved MEUR 6.4 was recognised as revenue in the end of 2014. The MEUR 1.2 did not include the minority owners' share. The remaining accrual of MEUR 5.2 in CapMan's balance sheet, including the minority owners' share, is estimated to be adequate to cover the possible return of carried interest.

The company's financing agreements include financing covenants, which, if breached, may result in increased financing costs for the company or stipulate partial or full repayment of outstanding bank loans.

The EU's Basel III and Solvency II regulatory initiatives limit the ability of European banks and insurance companies to invest in private equity funds, and could therefore impact CapMan's fundraising activity.



Business environment

The stock market correction in early autumn has lowered valuations across the board. The increased uncertainty in the markets coupled with in some cases negative interest rates drive investors to look for alternative investments. Investor sentiment towards private equity remains positive and more than half of investors surveyed by Preqin are currently below their target allocation to private equity. Only 3% of investors surveyed reported allocations larger than their targets in the asset class. Generous distributions from private equity funds compared to capital calls encourage additional growth of the asset class. Mid-sized Buyout funds are the most favoured product among institutional investors investing in private equity.¹

While M&A activity in the Nordic region has fallen somewhat below the highs of last year, both the number and value of deals have remained at historical averages. Denmark and Sweden are the most popular regions to invest in. High valuations in the beginning of the year have favoured initial public offerings as means of exit.² The increased market volatility may reduce willingness to issue public equity and increase the attractiveness of alternative exit routes. The more moderate valuations since the beginning of autumn support M&A activity by facilitating e.g. the completion of add-on acquisitions.

The total value of real estate transactions amounted to EUR 1.2 billion in Finland in the third quarter of 2015. In Sweden the transaction volume remained unchanged compared to the previous quarter at approximately EUR 3.3 billion. Denmark recorded an increase of EUR 500 million in real estate turnover with transaction volume totalling some EUR 1.1 billion in the third quartile.³

Pushed by compressing prime yields, real estate investors in Finland have extended their scope to cover secondary assets, particularly in the Helsinki Metropolitan Area. However, the yield gap between prime and secondary properties remains still high. In Sweden the transaction activity continued vibrant in the third quarter with also secondary properties trading actively. In particular, secondary properties located in the Greater Stockholm, Gothenburg, and Malmö are in strong demand pushing yields down. In the Danish real estate market, which is largely dominated by the Greater Copenhagen Area, yields compressed slightly over the last quartile. Especially in the retail and residential segments the increased investment appetite of large international investors has had an impact on yields.⁴

In Finland prime rents and occupancy rates remained unchanged in the third quarter reflecting the slow growth of the macro economy. In Sweden prime office rents came back on the growth path after experiencing a short downturn in the second quarter. CBD vacancy is almost non-existent, which supports the positive rent development. In secondary locations both rents and occupancy rates increased slightly over the third quarter. In Denmark both office and retail rents increased noticeably in the third quarter mirroring the positive state of the Danish economy. Also residential rents and prices continued on the growth path demonstrating the strong market fundamentals of the Greater Copenhagen residential market.⁵

Regulation in the banking sector and limited access to financing in the Euro area has increased interest in alternative debt financing for mid-sized enterprises. In the first three quarters of 2015, commitments to alternative debt funds investing in Europe have already exceeded levels obtained in 2014. There is increasing demand for alternative lending in Europe.⁶

¹ Preqin Quarterly Private Equity Update Q3 2015

² Argentum Nordic Private Equity Report H1 2015

³ CBRE Investment MarketView Q3 2015

⁴ Pangea Property Monthly Update, CapMan Real Estate

⁵ Pangea Property Monthly Update, CapMan Real Estate

⁶ Preqin Private Debt Outlook Q3 2015



After a weak start to 2015, the Russian economy did not deteriorate significantly during the third quarter of 2015.⁷ Although fluctuations in the euro-ruble exchange rate affect the fair value development of CapMan's Russian investments in euros, the economic situation has not yet had a material impact on CapMan Russia's portfolio companies and the team is actively exploring attractive investment opportunities by taking advantage of the decreased competition in the market and attractive valuations, among others. Non-strategic sectors serving Russia's expanding middle class such as IT, B2B services, and healthcare that are the investment focus of CapMan Russia are still expected to continue their growth.

CapMan maintains its outlook estimate for 2015:

We estimate our earnings per share to improve from the level achieved in 2014.

Specified basis for outlook:

CapMan receives carried interest income from funds as a result of a completed exit in the event that the fund already is in carry or will enter carry due to the exit. Our current portfolio holds several investments, which are in exit process. In case the exits will be completed at the end of the year, the carried interest income can be accounted for either in 2015 or 2016, which could impact our operating profit and the achievement of our outlook estimate for 2015.

The fair value development of our own fund investments and that of Norvestia will have a substantial impact on our overall result in 2015. We expect disparity in the development of individual portfolio companies and real estate also during 2015 depending on their industry and geographical location. In addition, our portfolio companies and real estate are also influenced by various other factors, among others the general development of industries and local economies, inflation development, valuation multiples of peer companies, and exchange rates.

We estimate other fees to increase clearly alongside the management fees. Our fees as a whole will exceed our expenses before possible non-recurring expenses related to acquisitions or larger development projects.

The CapMan Group will publish its Financial Statements Bulletin for 1 January – 31 December 2015 on Thursday, 4 February 2016.

Helsinki, 5 November 2015

CAPMAN PLC
Board of Directors

Further information:

Niko Haavisto, CFO, tel. +358 50 465 4125

⁷ Focus Economics October 2015

CapMan

Distribution:

NASDAQ OMX Helsinki

Principal media

www.capman.com

Appendices (after the Tables section):

Appendix 1: The CapMan Group's funds under management as of 30 September 2015, MEUR

Appendix 2: Operations of CapMan's funds under management January–September 2015

Appendix 3: Description of CapMan's business operations

CapMan

Accounting principles

The Interim Report has been prepared in accordance with the International Financial Reporting Standards (IFRS). The information presented in the Interim Report is un-audited.

GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

€ ('000)	7-9/15	7-9/14	1-9/15	1-9/14	1-12/14
Turnover	8,913	8,122	24,662	23,128	39,475
Other operating income	140	28	286	170	226
Personnel expenses	-4,455	-3,285	-13,063	-11,264	-17,804
Depreciation and amortisation	-76	-93	-236	-305	-394
Other operating expenses	-2,516	-3,132	-7,953	-8,469	-11,975
Fair value changes of investments	-1,468	-2,340	489	-1,053	-3,211
Operating profit / loss	538	-700	4,185	2,207	6,317
Financial income and expenses	-669	-346	-1,671	-1,099	-1,412
Share of the income of investments accounted for using the equity method	0	0	0	0	40
Profit / loss before taxes	-131	-1,046	2,514	1,108	4,945
Income taxes	-93	-190	-503	-426	-980
Profit / loss for the period	-224	-1,236	2,011	682	3,965
Other comprehensive income:					
Translation differences	-10	-18	-63	-3	11
Total comprehensive income	-234	-1,254	1,948	679	3,976
Profit attributable to:					
Equity holders of the company	-224	-1,236	2,011	682	3,965
Total comprehensive income attributable to:					
Equity holders of the company	-234	-1,254	1,948	679	3,976
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, cents	-0.5	-1.7	1.5	0.0	3.4
Diluted, cents	-0.5	-1.7	1.5	0.0	3.4

Accrued interest payable on the hybrid bond has been taken into consideration for the review period when calculating earnings per share.

CapMan

GROUP BALANCE SHEET (IFRS)

€ ('000)	30.9.15	30.9.14	31.12.14
ASSETS			
Non-current assets			
Tangible assets	215	256	236
Goodwill	6,204	6,204	6,204
Other intangible assets	552	816	756
investments accounted for using the equity method	43	0	42
Investments at fair value through profit and loss			
Investments in funds	47,333	60,669	55,258
Other financial assets	43,467	121	121
Investments in joint ventures	7,880	9,091	9,014
Receivables	5,197	4,770	3,250
Deferred income tax assets	4,097	4,083	4,097
	114,988	86,010	78,978
Current assets			
Trade and other receivables	9,164	6,798	5,959
Other financial assets at fair value through profit and loss	314	319	319
Cash and bank	21,003	22,795	28,650
	30,481	29,912	34,928
Total assets	145,469	115,922	113,906

CapMan

€ ('000)	30.9.15	30.9.14	31.12.14
EQUITY AND LIABILITIES			
Capital attributable the Company's equity holders			
Share capital	772	772	772
Share premium account	38,968	38,968	38,968
Other reserves	27,175	27,041	27,175
Translation difference	74	123	137
Retained earnings	-5,021	-3,766	-1,485
Total equity	61,968	63,138	65,567
Non-current liabilities			
Deferred income tax liabilities	1,951	1,814	1,976
Interest-bearing loans and borrowings	51,736	29,747	27,247
Post-employment benefits	0	299	0
	53,687	31,860	29,223
Current liabilities			
Trade and other payables	29,737	16,358	13,734
Interest-bearing loans and borrowings	0	4,500	5,000
Current income tax liabilities	77	66	382
	29,814	20,924	19,116
Total liabilities	83,501	52,784	48,339
Total equity and liabilities	145,469	115,922	113,906

CapMan

GROUP STATEMENT OF CHANGES IN EQUITY

€ ('000)	Attributable to the equity holders of the Company					Total
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	
Equity on 1 January 2014	772	38,968	26,107	126	-1,112	64,861
Profit for the period					682	682
Other comprehensive income for the period						
Currency translation differences				-3		-3
Total comprehensive income for the period				-3	682	679
Share issue			934			934
Options					116	116
Dividends					-3,452	-3,452
Equity on 30 September 2014	772	38,968	27,041	123	-3,766	63,138
Equity on 1 January 2015	772	38,968	27,175	137	-1,485	65,567
Profit for the period					2,011	2,011
Other comprehensive income for the period						
Currency translation differences				-63		-63
Total comprehensive income for the period				-63	2,011	1,948
Options					166	166
Dividends					-5,177	-5,177
Other changes					-536	-536
Equity on 30 September 2015	772	38,968	27,175	74	-5,021	61,968

CapMan

STATEMENT OF CASH FLOW (IFRS)

€ ('000)	1-9/15	1-9/14	1-12/14
Cash flow from operations			
Profit for the review period	2,011	682	3,965
Adjustments	4,874	4,475	9,439
Cash flow before change in working capital	6,885	5,157	13,404
Change in working capital	880	1,710	1,729
Financing items and taxes	-2,367	-1,220	-3,451
Cash flow from operations	5,398	5,647	11,682
Cash flow from investments	-27,357	269	2,089
Cash flow before financing	-21,959	5,916	13,771
Dividends paid	-5,177	-3,452	-3,452
Other net cash flow	19,489	3,327	1,327
Financial cash flow	14,312	-125	-2,125
Change in cash funds	-7,647	5,791	11,646
Cash funds at start of the period	28,650	17,004	17,004
Cash funds at end of the period	21,003	22,795	28,650

CapMan

SEGMENT INFORMATION

The Group reports two segments: Management company business and Fund Investment business

7-9/2015	Management Company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	6,491	2,422	8,913	0	8,913
Operating profit/loss	1,689	235	1,924	-1,386	538
Profit/loss for the period	1,564	211	1,775	-1,999	-224

7-9/2014	Management Company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	6,533	1,589	8,122	0	8,122
Operating profit/loss	1,572	172	1,744	-2,444	-700
Profit/loss for the period	1,212	47	1,259	-2,495	-1,236

1-9/2015	Management Company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	18,069	6,593	24,662	0	24,662
Operating profit	3,074	622	3,696	489	4,185
Profit/loss for the period	2,672	521	3,193	-1,182	2,011
Assets	6,800	225	7,025	107,963	114,988
Total assets include:					
Investments accounted for using the equity method	0	0	0	43	43
Investments in joint ventures	0	0	0	7,880	7,880

CapMan

1-9/2014	Management Company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	16,547	6,581	23,128	0	23,128
Operating profit/loss	1,812	1,832	3,644	-1,437	2,207
Profit/loss for the period	1,452	1,472	2,924	-2,242	682
Assets	7,119	278	7,397	78,613	86,010
Total assets include:					
Investments accounted for using the equity method	0	0	0	0	0
Investments in joint ventures	0	0	0	9,091	9,091

1-12/2014	Management Company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	28,104	11,371	39,475	0	39,475
Operating profit/loss	7,230	3,209	10,439	-4,122	6,317
Profit/loss for the financial year	5,792	2,569	8,361	-4,396	3,965
Assets	6,551	766	7,317	71,661	78,978
Total assets include:					
Investments accounted for using the equity method	0	0	0	42	42
Investments in joint ventures	0	0	0	9,014	9,014

Income taxes

The Group's income taxes in the Income Statements are calculated on the basis of current taxes on taxable income and deferred taxes. Deferred taxes are calculated on the basis of all temporary differences between book value and fiscal value.

Dividends

A dividend of EUR 0.06 per share, totalling MEUR 5.2 million in all, was paid for 2014. The dividend was paid to shareholders on 1 April 2015. A dividend of EUR 0.04 per share, totalling MEUR 3.5 million in all, was paid for 2013.

CapMan

NON-CURRENT ASSETS

€ ('000)	30.9.15	30.9.14	31.12.14
Fund investments at fair value through profit and loss on Jan 1	55,258	64,122	64,122
Additions	2,900	8,731	9,689
Distributions	-9,410	-10,066	-12,149
Fair value gains/losses on investments	-1,415	-2,118	-6,404
Investments in funds at fair value through profit and loss at end of the period	47,333	60,669	55,258
Investments in funds by investment area at the end of period			
Buyout	22,506	31,781	30,584
Credit	2,343	2,993	2,344
Russia	4,165	4,581	3,955
Real Estate	9,229	7,712	8,000
Other	7,673	11,234	8,315
Fund of funds	1,417	2,368	2,060
In total	47,333	60,669	55,258

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of 31 999 thousands euros.

€ ('000)	30.9.15	30.9.14	31.12.14
Other investments at fair value through profit and loss on Jan 1	121	94	94
Additions	44,335	27	27
Disposals	-66	0	0
Fair value gains/losses on investments	-923	0	0
Other investments at fair value through profit and loss at end of the period	43,467	121	121

Additions for the period include Norvestia's shares at fair value MEUR 43.4. CapMan's share represents 28.7% of Norvestia's total shares (CapMan acquired 21.7% on 12 May 2015 and an additional 7.0% according to an agreement on 23 October 2015). The fair value change of the associated company is booked in CapMan's income statement based on the change in Norvestia's reported adjusted NAV / share. The associated company has been fair valued through profit and loss because CapMan has been qualified as an investment entity by IFRS 10.

CapMan

€ ('000)	30.9.15	30.9.14	31.12.14
Investments in joint ventures at fair value through profit and loss on Jan 1	9,014	9,583	9,583
Disposals	-956	0	0
Fair value gains/losses on investments	-178	-492	-569
Investments in joint ventures at fair value through profit and loss at end of the period	7,880	9,091	9,014

CapMan has changed the presentation of investments in joint ventures. Joint ventures are accounted for in the Balance sheet as Investments at fair value through profit and loss (previously Investments accounted for using the equity method). In the Income statement investments in joint ventures are accounted for as Fair value changes of investments (previously Share of the income of investments accounted for using the equity method). The financials for the comparable period have been revised accordingly to account for the changes in presentation.

CapMan

THE GROUP'S ASSETS MEASURED AT FAIR VALUE AT 30 SEPTEMBER 2015

The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets

Level 2 – Other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as price) or indirectly (that is, derived from prices)

Level 3 – The asset that is not based on observable market data

€ ('000)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss				
Investments in funds				
at Jan 1		2,993	52,265	55,258
Additions		37	2,863	2,900
Distributions		0	-9,410	-9,410
Fair value gains/losses		-1,994	579	-1,415
at the end of period		1,036	46,297	47,333
Other investments				
at Jan 1			121	121
Additions			44,335	44,335
Disposals			-66	-66
Fair value gains/losses			-923	-923
at the end of period			43,467	43,467
Investments in joint ventures				
At Jan 1			9,014	9,014
Disposals			-956	-956
Fair value gains/losses			-178	-178
at the end of period			7,880	7,880

Fund investments in Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3. Other investments reported under Level 3 include Norvestia's shares. There were no transfers from one level to another during the review period. Investments in joint ventures reported in Level 3 include investments in Maneq Investments Luxembourg.

CapMan

The group's assets measured at fair value at 31.12.2014

€ ('000)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss				
Investments in funds				
at Jan 1		5,296	58,826	64,122
Additions		51	9,638	9,689
Distributions		-2,579	-9,570	-12,149
Fair value gains/losses on investments		225	-6,629	-6,404
at the end of period		2,993	52,265	55,258
Other investments				
at Jan 1			121	121
at the end of period			121	121
Investments in joint ventures				
at Jan 1			9,583	9,583
Fair value gains/losses			-569	-569
at the end of period			9,014	9,014

Fund investments in Level 2 are investments in CapMan Public Market fund. All other fund investments are included in Level 3. There were no transfers from one level to another during the year.

CapMan

Sensitivity analysis of Level 3 investments

Investment area	Fair value MEUR 30.9.2015	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity (MEUR) to a +/- 10% change in input value
Norvestia	43.4	Net assets (amended NAV based on Norvestia's stock exchange releases)	NA*	NA*	NA*
Buyout	22.5	Peer group	Peer group earnings multiples	EV/EBITDA 2015 8.7x	-3.4 / +3.8
			Discount to peer group multiples	20%	+/- 0.9
		Discounted cash flows	Discount rate; WACC	11%	-0.6 /+ 0.8
Real Estate	9.2	Valuation by an independent valuer	NA*	NA*	NA*
Investments in joint ventures	7.9	Discounted cash flows	Discount rate	25%	-0.3 / value increase based on a change in the discount rate is not booked
Russia	4.2	Peer group	Peer group earnings multiples	EV/EBITDA 2015 11.6x	+/- 0.3
			Discount to peer group multiples	36%	-/+ 0.2
Credit	2.3	Discounted cash flows	Discount rate; market rate and risk premium	13%	- 0.1 / value increase based on a change in the discount rate is not booked
Other investment areas	6.7	Peer group	Peer group earnings multiples	EV/EBITDA 2015 9.1x	+/- 0.4
			Discount to peer group multiples	29%	-/+ 0.2



CapMan has made some investments also in funds that are not managed by CapMan Group companies. The fair values of these investments in CapMan's balance sheet are based on the valuations by the respective fund managers. No separate sensitivity analysis is prepared by CapMan for these investments.

The changes in the peer group earnings multiples and the peer group discounts are typically opposite to each other. Therefore, if the peer group multiples increase, a higher discount is typically applied. Because of this, a change in the peer group multiples may not in full be reflected in the fair values of the fund investments.

The foreign exchange rates at the time of valuation have been applied in determining the fair values. Changes in the rates of Norwegian krone or Swedish krona would, in CapMan's estimate, have no significant direct impact on the fair values calculated by peer group multiples. A change in the exchange rate for the Russian rouble have had an impact and they have been taken into account in the valuation of the Russia funds.

The valuation of CapMan funds' investment is based on international valuation guidelines that are widely used and accepted within the industry and among investors. CapMan always aims at valuing funds' investments at their actual value. Fair value is the best estimate of the price that would be received by selling an asset in an orderly transaction between market participants on the measurement date.

Determining the fair value of fund investments for funds investing in portfolio companies is carried out using International Private Equity and Venture Capital Valuation Guidelines (IPEVG). In estimating fair value for an investment, CapMan applies a technique or techniques that is/are appropriate in light of the nature, facts, and circumstances of the investment in the context of the total investment portfolio. In doing this, current market data and several inputs, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment, are evaluated and combined with market participant assumptions. In selecting the appropriate valuation technique for each particular investment, consideration of those specific terms of the investment that may impact its fair value is required.

Different methodologies may be considered. The most applied methodologies at CapMan include the price of recent investments, which is typically applied in the case of new investments, and the earnings multiple valuation technique, whereby public peer group multiples are used to estimate the value of a particular investment. CapMan always applies a discount to peer group multiples, due to e.g. limited liquidity of the investments. Due to qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

The Group has a Monitoring team, which monitors the performance and the price risk of the investment portfolio (financial assets entered at fair value through profit and loss) independently and objectively of the investment teams. The Monitoring team is responsible for reviewing the monthly reporting and forecasts for portfolio companies. Valuation proposals made by the case investment professionals are examined by the Monitoring team and subsequently approved by the Valuation Committee, which comprises the Chairman of the Investee Committee, the Group CFO and Heads of investment teams. The portfolio company valuations are reviewed in the Valuation Committee quarterly. The valuations are back tested against realised exit valuations, and the results of such back testing are reported to the Audit Committee annually.

The loan instruments held by the Credit funds are valued applying the discounted cash flows-method. However, any increase in valuation is not booked until it is realized. There is no functional secondary market for these types of investments, where a value increase driven by a change in the discount rate could be realised. The funds' investment strategy is to hold the loans until they are repaid.

Investments in real estate are valued at fair value based on appraisals made by independent external experts, who follow International Valuation Standards (IVS). The method most appropriate to the use of the property is always applied, or a combination of such methods. For the most part, the valuation methodology applied is the discounted cash flow method, which is based on significant unobservable inputs. These inputs include the following:



Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Property operating expenses	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs , vacancy rates and market rents.

The fair value change of the associated company Norvestia is booked in CapMan's income statement, based on the change in Norvestia's adjusted NAV as communicated in Norvestia's stock exchange releases. CapMan makes no adjustments to Norvestia's reported figures.

The value of investments in joint ventures consist almost entirely of investments in Maneq Investments Luxembourg. The investment is valued based on discounted cash flows, nevertheless so that any potential value increase is booked only when it is realised. There is no functional secondary market where the value increase based on the change in discount rates would be possible to realise for these types of investments. The investment is made through several separate instruments and their values are co-dependent. Therefore the investment has been valued as one entity.

*) Because Norvestia's fair value is based on the adjusted NAV as communicated by Norvestia, and the real estate properties are valued using third party valuation information, CapMan prepares no sensitivity analysis for the inputs used in these valuations. The quantitative unobservable inputs are not reasonably available to CapMan.

NON-CURRENT LIABILITIES

€ ('000)	30.9.15	30.9.14	31.12.14
Interest bearing loans at end of the review period	51,736	29,747	27,247

SEASONAL NATURE OF BUSINESS

Carried interest income is accrued on an irregular schedule depending on the timing of exits. An exit may have an appreciable impact on the Group's result for the full financial year.

CapMan

PERSONNEL

By country	30.9.15	30.9.14	31.12.14
Finland	68	64	68
Sweden	20	22	23
Norway	0	1	1
Russia	10	10	10
Luxembourg	1	1	1
United Kingdom	3	2	3
In total	102	100	106

CONTINGENT LIABILITIES

€ ('000)	30.9.15	30.9.14	31.12.14
Leasing agreements	2,541	5,002	3,523
Securities and other contingent liabilities	84,318	64,171	60,002
Remaining commitments to funds	27,368	28,371	30,250
Remaining commitments by investment area			
Buyout	14,016	14,990	14,632
Credit	3,255	2,923	3,716
Russia	1,959	2,369	2,288
Real Estate	2,725	2,300	3,723
Other	4,659	4,623	4,725
Fund of funds	754	1,166	1,166
In total	27,368	28,371	30,250

COMMITMENTS TO RELATED PARTIES

€ ('000)	30.9.15	30.9.14	31.12.14
Commitments to Maneq funds	4,090	4,090	4,090

CapMan estimates that MEUR 15-20 of the remaining commitments will be called in the next 3-4 years, particularly due to unused investment capacity of the older funds.

CapMan

TURNOVER AND PROFIT QUARTERLY

2015

MEUR	1-3/15	4-6/15	7-9/15	1-9/15
Turnover	7.3	8.5	8.9	24.7
Fees	6.8	6.5	7.0	20.3
Carried interest	0.5	2.0	1.9	4.4
Other operating income	0.0	0.1	0.2	0.3
Operating expenses	-6.8	-7.4	-7.1	-21.3
Fair value changes of investments	0.4	1.6	-1.5	0.5
Operating profit / loss	0.9	2.8	0.5	4.2
Financial income and expenses	-0.4	-0.6	-0.7	-1.7
Share of the income of investments accounted for using the equity method	0.0	0.0	0.0	0.0
Profit / loss before taxes	0.5	2.1	-0.1	2.5
Profit / loss for the period	0.5	1.7	-0.2	2.0

2014

MEUR	1-3/14	4-6/14	7-9/14	1-9/14	10-12/14	1-12/14
Turnover	7.0	8.0	8.1	23.1	16.4	39.5
Fees	7.0	6.6	7.9	21.5	7.2	28.7
Carried interest	0.0	1.4	0.2	1.6	9.2	10.8
Other operating income	0.0	0.1	0.1	0.2	0.0	0.2
Operating expenses	-6.7	-6.8	-6.5	-20.0	-10.2	-30.2
Fair value changes of investments	1.3	0.0	-2.4	-1.1	-2.1	-3.2
Operating profit / loss	1.5	1.4	-0.7	2.2	4.1	6.3
Financial income and expenses	-0.3	-0.5	-0.3	-1.1	-0.3	-1.4
Share of the income of investments accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0
Profit / loss before taxes	1.2	0.9	-1.0	1.1	3.8	4.9
Profit / loss for the period	1.2	0.7	-1.2	0.7	3.3	4.0

CapMan

APPENDIX 1: THE CAPMAN GROUP'S FUNDS UNDER MANAGEMENT AS OF 30 SEPTEMBER 2015, MEUR

The tables below show the status of the funds managed by CapMan as of 30 September 2015. CapMan groups its funds into four categories in terms of their life cycle as follows: 1) Funds generating carried interest; 2) Funds in the exit and value creation phase; 3) Funds in the active investment phase; and 4) Funds with no carried interest potential for CapMan.

Exits made by funds generating carried interest provide CapMan with immediate carry income, while those in the exit and value creation phase can be expected to start generating carried interest within the next 1-5 years. The carry potential of funds in the active investment phase is likely to be realised over the next 5-10 years. The final category comprises funds that do not offer any carried interest potential for CapMan, either because CapMan's share of carry in the funds concerned is small or because the funds are not expected to transfer to carry.

When analysing the projected timetable within which a fund could transfer to carry, the cumulative cash flow that investors have already received should be compared to the fund's paid-in capital. In order for a fund to enter carry, it must first return its paid-in capital and pay an annual preferential return to investors. In the case of funds in the exit or value creation phase, the table shows the cash flow that must be returned to investors to enable a fund to transfer to carry. The carry potential of each fund can be evaluated by comparing this figure to the fair value of the fund's portfolio. A portfolio's fair value, including its possible net cash flows, provides an indication of the distributable capital available as of the end of the reporting period. Any uncalled capital in a fund (particularly relevant for funds in the active investment phase) should be taken into account when evaluating the cash flow that will be needed to enable a fund to transfer to carry.

The percentage shown in the last column indicates the share of each fund's cash flow due to CapMan as and when the fund transfers to carry. Following a previous distribution of carried interest, any new paid-in capital, together with the annual preferential return payable on it, must be returned to investors before any further distribution of carried interest can take place.

Definitions of the column headings are shown below the table.



FUNDS INVESTING IN PORTFOLIO COMPANIES

	Size	Paid-in capital	Fund's current portfolio		Net cash assets	Distributed cash flow		Amount of cash flow needed to transfer the fund to carry as of 30.9.2015	CapMan's share of cash flow if the fund generates carried interest (investment team share deducted)
			At cost	At fair value		To investors	To mgmt-company		
Funds generating carried interest									
Fenno Program ¹⁾ , FV V, FM IIIB, CME VII B ⁶⁾ , FM III A, CME VII A ⁶⁾ , CME Sweden ⁶⁾									
Total	622.6	617.3	37.6	17.1	11.5	969.0	32.6		10-20%
Funds in exit and value creation phase									
CMB VIII ^{2) 6)}	440.0	402.8	110.4	80.5	0.9	378.2		249.8	12 %
CMPM	138.0	134.9	34.3	28.6	0.3	198.7		24.8	10 %
CMR	118.1	115.5	69.5	82.5	0.2	22.0		140.0	3.4 %
CMB IX	294.6	285.3	210.2	231.3	1.5	44.8		343.5	10 %
Total	990.7	938.5	424.4	422.9	2.9	643.7			
Funds in active investment phase									
CMM V	95.0	70.2	40.0	45.1	0.1	41.5			10 %
CMB X ²⁾	244.5	171.6	139.7	159.3	2.6	13.6			8 %
CMR II	99.1	25.1	18.0	11.1	0.2	0.8			8 %
Total	438.6	266.9	197.7	215.5	2.9	55.9			
Fund with no carried interest potential for CapMan									
SWE LS ³⁾ , SWE Tech ^{2), 3)} , CME VII C ⁶⁾ , FM III C, CMM IV ⁴⁾ , CMLS IV, CMT 2007 ²⁾									
Total	551.2	524.2	99.7	99.6	2.1	417.9			
Total private equity funds	2,603.1	2,346.9	759.4	755.1	19.4	2,086.5	32.6		

CapMan

REAL ESTATE FUNDS

	Investment capacity	Paid-in capital	Fund's current portfolio		Net cash assets	Distributed cash flow		Amount of cash flow needed to transfer the fund to carry as of 30.9.2015	CapMan's share of cash flow if the fund generates carried interest (investment team share deducted)
			At cost	At fair value		To investors	To mgmt-company		
Funds in exit and value creation phase									
CMRE II									
Equity and bonds	150.0	129.5	121.9	127.0		54.7		171.9	12%
Debt financing	450.0	301.7	175.2	175.2					
Total	600.0	431.2	297.1	302.2	3.7	54.7			
CMRHE									
Equity and bonds	332.5	325.1	427.4	343.6		76.4		466.0	12%
Debt financing	617.5	542.6	459.5	459.5					
Total	950.0	867.6	886.9	803.1	6.7	76.4			
Total	1,550.0	1,298.8	1,184.0	1,105.3	10.4	131.1			
Funds in active investment phase									
CMNRE									
Equity and bonds	273.3	141.1	118.7	128.7		8.3			
Debt financing	0.0	0.0	0.0	0.0					
Total	273.3	141.1	118.7	128.7	46.1	8.3			
Funds with no carried interest potential to CapMan									
CMRE I ⁵⁾									
Equity and bonds	200.0	195.1	65.0	34.5		207.8	27.4		
Debt financing	300.0	276.6	65.5	65.5					
Total	500.0	471.7	130.5	100.0	6.1	207.8	27.4		
Real Estate funds total	2,323.3	1,911.7	1,433.2	1,334.0	62.6	347.2	27.4		

CapMan

Abbreviations used to refer to funds:

CMB	= CapMan Buyout	CMRE	= CapMan Real Estate
CME	= CapMan Equity	CMT 2007	= CapMan Technology 2007
CMLS	= CapMan Life Science	FM	= Finnmezzanine Fund
CMM	= CapMan Mezzanine	FV	= Finnventure Fund
CMHRE	= CapMan Hotels RE	PSH Fund	= Project Specific Hotel Fund
CMNRE	= CapMan Nordic Real Estate	SWE LS	= Swedestart Life Science
CMPM	= CapMan Public Market Fund	SWE Tech	= Swedestart Tech
CMR	= CapMan Russia Fund		

Explanation of the terminology used in the fund tables

Size/Original investment capacity:

Total capital committed to a fund by investors, i.e. the original size of a fund. For real estate funds, investment capacity also includes the share of debt financing used by a fund.

Paid-in capital:

Total capital paid into a fund by investors as of the end of the review period.

Fund's current portfolio at fair value:

The determination of the fair value of fund investments for funds investing in portfolio companies is carried out using the International Private Equity and Venture Capital Valuation Guidelines (IPEVG, www.privateequityvaluation.com). In estimating fair value for an investment, CapMan applies a technique or techniques that is/are appropriate in light of the nature, facts, and circumstances of the investment in the context of the total investment portfolio. In doing this, current market data and several inputs, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment, are evaluated and combined with market participant assumptions. In selecting the appropriate valuation technique for each particular investment, consideration of those specific terms of the investment that may impact its fair value is required.

Different methodologies may be considered. The most applied methodologies at CapMan include the price of recent investments, which is typically applied in the case of new investments, and the earnings multiple valuation technique, whereby public peer group multiples are used to estimate the value of a particular investment. Due to qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

Investments in real estate are valued at fair value based on appraisals made by independent external experts, who follow International Valuation Standards (IVS). The method most appropriate to the use of the property is always applied, or a combination of such methods.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Due to the nature of private equity investment activities, fund portfolios contain investments with a fair value that exceeds their acquisition cost, as well as investments with a fair value less than the acquisition cost.

Net cash assets:

When calculating the investors' share, a fund's net cash assets must be taken into account in addition to the portfolio at fair value. The proportion of debt financing in real estate funds is presented separately in the table.

CapMan

Amount of cash flow needed to transfer the fund to carry

This cash flow refers to the profit distributed by funds and the capital they pay back to investors. The figure indicates the size of the cash flow that must be returned to investors as of the end of the reporting period to enable a fund to transfer to carry. A fund's carry potential can be evaluated by comparing this figure to the fair value of its portfolio.

CapMan's share of cash flow if a fund generates carried interest:

When a fund has generated the cumulative preferential return for investors specified in the fund agreements, the management company is entitled to an agreed share of future cash flows from the fund, known as carried interest.

After the previous distribution of profits, any new capital called in, as well as any annual preferential returns on it, must be returned to investors before any new distribution of profits can be paid.

Footnotes to the tables

- 1) Fenno Fund and Skandia I together form the Fenno Program, which is jointly managed with Fenno Management Oy.
- 2) The fund is comprised of two or more legal entities (parallel funds are presented separately only if their investment focuses or portfolios differ significantly).
- 3) Currency items are valued at the average exchange rates quoted at 30 September 2015.
- 4) CapMan Mezzanine IV: The paid-in capital includes a MEUR 192 bond issued by Leverator Plc Distributed cash flow includes payments to both bond subscribers and to the fund's partners.
- 5) CapMan Real Estate I: Distributed cash flow includes repayment of the bonds and cash flow to the fund's partners. Following the previous payment of carried interest, a total of MEUR 42.3 in paid-in capital had not yet been returned to investors. This capital, together with the annual income entitlement payable on it, must be paid to investors before further carried interest can be distributed.

CapMan's management considers it unlikely, in the light of the market situation, that further carried interest will be provided by the CapMan Real Estate I fund. As a result, the fund has been transferred from those funds in carry. A total of some MEUR 5 of carried interest has not been entered in CapMan's profit but instead left in reserve in case that some of the carried interest would have to be returned to investors in the future.

- 6) CapMan Group's Board of Directors made a decision in early 2012 to increase the Buyout investment teams' share of carried interest to better reflect prevailing industry practices. In CapMan Buyout VIII fund the investment team's share is approximately 40%, and in CapMan Equity VII funds the investment team's share is approximately 25%.



APPENDIX 2: OPERATIONS OF CAPMAN'S FUNDS UNDER MANAGEMENT IN JANUARY–SEPTEMBER 2015

The operations of the private equity funds managed by CapMan during the review period comprised direct investments in portfolio companies in the Nordic countries and Russia (CapMan Private Equity), as well as real estate investments (CapMan Real Estate). Investments by CapMan funds investing in portfolio companies focus on two key investment areas in the Nordic countries and one in Russia. These take the form of mid-size buyouts (CapMan Buyout), mezzanine investments (CapMan Credit) and investments in mid-sized companies operating in Russia (CapMan Russia). The investment focus of CapMan's real estate funds is on properties in Finland and the other Nordic countries. CapMan also has three other investment areas (CapMan Technology, CapMan Life Science and CapMan Public Market⁸), which do not make new investments, but concentrate instead on developing the value of their existing portfolio companies. These three investment areas are reported under "Other" in Private Equity.

CAPMAN PRIVATE EQUITY

Investments in portfolio companies in January–September 2015

During the review period, funds managed by CapMan invested in two companies and made a couple of add-on investments in existing portfolio companies, totalling MEUR 20.1. The new investments were made by the CapMan Russia II fund in Maximum Education and the CapMan Credit V fund in Delete Group. Add-on investments were largely concentrated in portfolio companies held by CapMan's Russia and Buyout funds. Funds made eight new investments and several add-on investments valued at a total of MEUR 177.8 in the comparable period.

Exits from portfolio companies in January–September 2015

During the review period, funds exited Cederroth Intressenter AB, Silex, ÅF AB and made partial exits from several funds. The cash flow received from the exit from Symbio S.A. (exited in 2014) was allocated for the first half of 2015. The combined acquisition cost of partial exits completed during the review period was MEUR 108.8. During the comparable period, funds completed eight exits and several partial exits with a combined acquisition cost of MEUR 96.1.

Events after the end of the review period

Funds managed by CapMan exited Swereco Group AB, a Swedish manufacturer of OTC products, in October.

⁸The Public Market Fund is continuing exit and value creation activities in line with its strategy. CapMan participates in the fundraising of a new fund focusing on publicly listed companies, and the fund will pay management fees and carried interests to CapMan based on the commitments to the fund made through CapMan. As a result of the arrangement, Public Market will be reported together with investment areas categorised as "Others".

CapMan

CAPMAN REAL ESTATE

Investments in and commitments to real estate acquisitions and projects in January–September 2015

The CapMan Nordic Real Estate fund invested in the development of City Center BROEN, which is a shopping centre in Esbjerg, Denmark and the development of a residential area in Copenhagen, as well as an office building (Finsensvej 86), a residential, office and retail building (Vesterbrogade 80) and a residential and retail building (Kobmagergade 25) in central Copenhagen. The fund also acquired an office building to be converted into residential use in central Helsinki (Ruoholahdenkatu 4) and an office building to be converted into a school in Southern Stockholm (Kabelverket 6). The acquisition cost of the investments was MEUR 39.9 in total. Funds made add-on investments in several existing projects totalling MEUR 21.2. Real estate funds were committed to providing financing for real estate acquisitions and projects totalling MEUR 78.7 as of 30 September 2015. CapMan's real estate funds made a number of new and add-on investments totalling MEUR 68.4 in the comparable period, while commitments to finance new projects totalled MEUR 13.0 as of 30 September 2014.

Exits from real estate investments in January–September 2015

Real Estate funds exited office buildings in Helsinki and Sollentuna, north of Stockholm, with combined acquisition costs of MEUR 12.2. In the comparable period last year, CapMan's funds realised one investment with the acquisition cost of MEUR 11.3.

Events after the end of the review period

There were no significant events for real estate funds after the end of the review period.

CapMan

FUND INVESTMENT ACTIVITIES IN FIGURES

Investments and exits made by funds at acquisition cost, MEUR

	1-9/2015	1-9/2014
New and add-on investments		
Funds investing in portfolio companies	20.0	177.8
Buyout	4.5	135.1
Credit	9.0	31.0
Russia	6.5	8.4
+ Other	0.0	3.3
Real Estate funds	61.1	68.4
Total	81.1	246.2

	1-9/2015	1-9/2014
Exits*		
Funds investing in portfolio companies	108.7	96.1
Buyout	50.7	45.8
Credit	8.8	0.0
Russia	0.1	4.0
+ Other	49.1	46.3
Real Estate funds	12.2	11.3
Total	120.9	107.4

* including partial exits and repayments of mezzanine loans.

In addition, real estate funds had made commitments to finance real estate acquisitions and projects valued at MEUR 78.7 as of 30 September 2015.

CapMan

Funds' combined portfolio* as of 30 September 2015, MEUR

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio (fair value) %
Funds investing in portfolio companies	759.2	755.1	36.2
Real Estate funds	1,433.3	1,332.0	63.8
Total	2,192.5	2,087.1	100.0

Funds investing in portfolio companies			
Buvout	525.6	541.7	71.7
Credit	40.0	45.1	6.0
Russia	87.5	93.5	12.4
Other	106.1	74.8	9.9
Total	759.2	755.1	100.0

* Total of all investments of funds under management.

Remaining investment capacity

After deducting actual and estimated expenses, funds investing in portfolio companies had a remaining investment capacity amounting to some MEUR 560 for new and add-on investments as of 30 September 2015. Of their remaining capital, approx. MEUR 325 was earmarked for buyout investments (incl. mezzanine investments), approx. MEUR 28 for investments by the Credit team, approx. MEUR 61 for technology investments, approx. MEUR 3 for life science investments, approx. MEUR 105 for investments by the CapMan Russia team, and approx. MEUR 38 for investments by the CapMan Public Market team. Real estate funds had a remaining investment capacity of approx. MEUR 165 which has been reserved for new investments and for the development of funds' existing investments.

CapMan

APPENDIX 3: DESCRIPTION OF BUSINESS OPERATIONS

CapMan Group is a private equity fund manager operating in the Nordic countries and Russia. The Group also makes investments in its own funds.

Private equity investment means making direct equity investments in companies and real estate. Investments are made through funds, which raise their capital primarily from institutional investors such as pension funds and foundations. Private equity investors actively develop their portfolio companies and real estate by working closely with management and tenants. Value creation is based on promoting companies' sustainable growth and strengthening their strategic position. Private equity investment is of a long-term nature – investments are held for an average of four to six years and the entire life cycle of a fund is typically around 10 years. Over the long term, private equity funds have generated significantly higher levels of returns compared to other investment classes⁹, and the industry's long-term prospects are favourable. By investing in CapMan, institutional and private investors can benefit from the profit potential of the private equity industry while diversifying their exposure.

The Group has two operating segments: 1) a Management Company business and 2) a Fund Investment business.

1) Management Company business

In its Management Company business, CapMan raises capital from Nordic and international institutions for the funds that it manages. The investment teams invest this capital in Nordic and Russian companies and Nordic real estate.

The Management Company business has two main sources of income, fee income and carried interest income. Fund investors pay a management fee to CapMan (typically 0.5-2.0% p.a.) during the life cycle of each fund. The management fee is based on fund size less realised exits during the fund's investment period (typically 5 years), after which the management fee is based on the remaining invested portfolio valued at cost. Management fees generally represent a steady and highly predictable source of income. Fees are also generated from CapMan's service business comprising of CapMan Purchasing Scheme (CaPS), fundraising advisory services and services related to fund management. Fees normally cover CapMan's operating costs.

The second source of income of the Management Company business is carried interest received from funds. Carried interest denotes the Management Company's share of each fund's cash flow after paid-in capital has been distributed to fund investors and the latter have received their annual preferential return (so-called hurdle rate (IRR), typically 8% p.a.). The amount of carried interest generated depends on the timing of exits and the stage at which funds are in their life cycle, which makes advance prediction difficult.

2) Fund Investment business

Through its Fund Investment business, CapMan makes investments from its own balance sheet in the funds that it manages. Income in this business is generated by increases in the fair value of investments and realised returns. Fair value is determined by the development of portfolio companies and real estate held by the funds, in addition to general market developments. Revenue from CapMan's fund investments can sometimes be negative.

In addition to its own fund investments, CapMan owns 28.7% of Norvestia Plc's shares. CapMan acquired 21.7% of the shares in May and has made a firm commitment to acquire an additional 7.0% of Norvestia's shares outstanding around October 2015. Norvestia is a listed investment company with approx. 5,500 shareholders. The company mainly invests in Nordic listed shares, hedge funds and bonds as well as growth equity, which includes minority investments in unlisted companies. The

⁹ Bain & Company, Global Private Equity Report 2014



fair value change of the associated company Norvestia is booked in CapMan's income statement based on the change in Norvestia's adjusted NAV as communicated in Norvestia's stock exchange releases. CapMan makes no adjustments to Norvestia's reported figures.

As there may be considerable quarterly fluctuations in carried interest and the fair value of fund investments, the Group's financial performance should be analysed over a longer time span than the quarterly cycle.

CapMan